

2008 Market Study Regulations and Guidelines

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Clarifying the Regulations

Reg. Sec. 10322(h)(9) & 10325(f)(1) & 10326(g)(1)

- A Market Study is considered current if created within 6 months.
- A Market Study can be updated if older than 6 months, but less than 1 year old.
- After 1 year a new Market Study is required.

Requirements

Reg. Sec. 10325(f)(1) & 10326(g)(1)

- Highest rents are at least 10% below prevailing market rents.
- Rent per square foot (value ratio) of units at or below market value ratios.
- Rural 3 and 4-bedroom units are 20% below prevailing market rents for SF homes if apartment comps are not available.



Rent Comparability Matrix



- Correct initial max rents.
- Correct unit size.
- Comps that are close to the subject.
- Comps are reasonably adjusted.

Lease Up / Absorption

Reg. Sec. 10325(f)(1) & 10326(g)(1)

- 90% occupancy for most SRO and Special needs by 6 months.
- 95% occupancy for most Large Family projects by 6 months.
- 90% or 95% occupancy for 150+ unit projects, and 95% occupancy for all Senior projects, by 1 year.

Double Checks

- ◆ Look for these two items in the market study and cross-check them:
 - A per-month lease-up rate and the assumptions behind it.
 - Turnover capture rates by unit size and AMI target-band that are 40% or less.



Demand Model Requirements



1. Number of renter households in the PMA.
2. Demand among #1 households by unit size.
3. Proportion of #2 households that will be income qualified at the appropriate AMI targets.
4. Proportion of those #3 households that would normally seek new accommodations in a year.

Turnover Capture Rates

- ◆ Capture Rate =
of units of a specific AMI and size
#4 households (see previous slide)

You cannot exceed a 100% capture rate.

Primary Market Area (PMA)

- ◆ Do not to use over-sized PMAs to find favorable comparables or to establish need and demand.
- ◆ If other affordable projects are in the area, especially new projects coming on line near the time of the your project be very careful establishing capture rates and need/demand.